

PREPARE STANDARD YEAR-END ADJUSTING ENTRIES

The standard adjusting entries required at year end are illustrated in the *State Administrative Manual* (SAM) Sections 10600 - 10615. They are designated as entries A-1 through A-13. All year-end adjusting entries are entered in Fiscal Month 13.

ENTRY A-1: Record Undeposited Receipts

The A-1 entry adjusts the agency's GLA 1110-General Cash and GLA 1120-Agency Trust Fund Cash accounts to accurately reflect the amount deposited in the agency's accounts with the State Treasurer. Entry A-1 is required for cash received but not deposited by June 30, including warrants issued by the SCO dated June 30 or earlier. Entry A-1 does not apply to warrants issued to repay the Office Revolving Fund (ORF). Enter the appropriate TC to post the cash receipt in addition to the following:

To adjust GLA 1110-General Cash:

TC 530 - A-1 Adj Gen Cash for Undeposited Receipts
Dr. 1190 Cash on Hand
Cr. 1110 General Cash

Note For Automated Year-end Process Participants: TC 530 must be posted without an Appropriation Symbol.

To adjust GLA 1120-Agency Trust Fund Cash:

TC 529 - A-1 Adj Agy Trust Fund Cash for Undeposited Receipts
Dr. 1190 Cash on Hand
Cr. 1120 Agency Trust Fund Cash

A-1 entries (TC 530, TC 529) are reversed in the new year. Auto-reverse batches are recommended for A-1 entries.

ENTRY A-2: Adjust Revolving Fund Cash Account

The A-2 entry records the agency's ORF cash balance as of June 30 into the advancing fund. During the fiscal year, all ORF activities are recorded in the Office Revolving Fund (Fund 0998). At year-end, all of these activities must be transferred to the fund that advanced the cash to the Office Revolving Fund. The full amount of the ORF is carried in the advancing fund general ledger during the year as GLA 1130-Revolving Fund Cash or GLA 1400-Due from Office Revolving Fund (Subsidiary Code 14000998). As part of the A-2 entry, several transactions are posted to reflect all ORF account activities in the advancing fund(s) as of June 30. The A-2 adjusting entries must be posted using the Appropriation Symbol for the ORF advance (Account Type 97).

Several A-2 entries are common to all agencies. Other entries are dependent upon:

- ✪ Whether CALSTARS ORF (Fund 0998) and a Clearing Account are used; and

- ✱ Whether the Clearing Account and the Revolving Fund advance are in the same fund.

NOTE: Any entries that result in an error message due to an abnormal document balance can be posted using Command **C.3** fund control override procedures (**44, W**) or by changing position '3' (DF BAL-PY13) in the fund-related error severity segment of the OC Table to **W**. (The table entry must be in the same FFY as the transaction.)

A-2 Entries Common to All Agencies

Make these entries in the fund that **advanced** cash to ORF, if applicable.

TC 521 - A-2 Record Year-end Expense Advances ^{1/}

Dr. 1710 Expense Advance

Cr. 1130 Revolving Fund Cash

TC 525 - A-2 Record Year-end Deferred Charges ^{2/}

Dr. 2600 Deferred Charges

Cr. 1130 Revolving Fund Cash

TC 528 - A-2 Record ORF Cash Shortages

Dr. 1316 Accounts Receivable Cash Shortages

Cr. 1130 Revolving Fund Cash

TC 531 - A-2 Record Year-end ORF Cash on Hand ^{3/}

Dr. 1190 Cash on Hand

Cr. 1130 Revolving Fund Cash

TC 534 - A-2 Record Amount Advanced to Bank for Bank Draft Account

Dr. 1160 Cash in Agency Accounts-Bank/Savings and Loans

Cr. 1130 Revolving Fund Cash

^{1/} Combine unreimbursed advances for GLAs 1710, 1712 and 1714 that have not been accrued via the A-8 entry. For the unreimbursed advances accrued as expenditures via the A-8 entry, use TC 527.

^{2/} GLA 2600 do not reflect on the DB1/DB2 reports. Therefore, the SCO/CALSTARS Reconciliation for the Category 97-Revolving Fund Advance appropriation will be off by the amount of the TC 525 entry.

^{3/} Includes SCO warrants dated June 30 or prior to repay the ORF.

Make this entry in the fund that advanced cash to ORF in addition to the A-2 entries common to all agencies.

TC 539 - A-2 Record Amount Advanced to Other Funds by Revolving Fund (The amount of this entry should be the same amount as the TC 526 entry to the Clearing Account above.)

Dr. 1400 Due from Other Funds or Appropriations
Cr. 1130 Revolving Fund Cash

OPTION #4

Make these entries as applicable in the fund containing the Clearing Account. This assumes the Clearing Account contains claims schedules reimbursing ORF and A-8 entries accruing unreimbursed ORF advances.

TC 524 - A-2 Record Year-End ORF Reimbursement Claim Schedules (filed and not paid) ^{4/}

Dr. 3020 Claims Filed
Cr. 1130 Revolving Fund Cash

TC 527 - A-2 Reduce Accounts Payable by Amount Previously Paid by Revolving Fund ^{5/ 6/}

Dr. 3010 Accounts Payable
Cr. 1130 Revolving Fund Cash

TC 526 - A-2 Record Year-End ORF Accounts Payable as Due to Other Funds (The amount for this entry should be the total amount of the TC 524 and TC 527 entries above.)

Dr. 1130 Revolving Fund Cash
Cr. 3110 Due To Other Funds or Appropriations

^{4/} Does not include claims paid by the SCO as of June 30.

^{5/} Debit balances in GLA 3010 display as "Reclass Accts Payable/Enc" on the DB1 Report.

^{6/} TC 527 is posted for the same amount as the unreimbursed ORF advances accrued as expenditures via the A-8 entry.

Make this entry in the fund that advanced cash to ORF in addition to the A-2 entries common to all agencies.

TC 520 - A-2 Record Year-End Revolving Fund Cash ^{z/}

Dr. 1130 Revolving Fund Cash

Cr. 1400 Due From Other Funds

TC 539 - A-2 Record Amount Advanced to Other Funds by Revolving Fund (The amount of this entry should be the same amount as the TC 526 entry to the Clearing Account above.)

Dr. 1400 Due from Other Funds or Appropriations

Cr. 1130 Revolving Fund Cash

All A-2 entries (except TC 520 used in option #2 and #4 discussed previously) are reversed in the new year. Auto-reverse batches are recommended for A-2 entries.

Exhibit II-4 shows how the ORF General Ledger may look at year end. Note that the amount in the Due to Other Funds account represents the total ORF accountability. This amount is offset by a Due From Other Funds amount in the General Fund (advancing fund) General Ledger. The Revolving Fund reconciliation for the ORF General Ledger shown in Exhibit II-4 is illustrated on the first page of Exhibit II-5. Exhibit II-6 contains the A-2 entries that would be made based on this ORF sample.

^{z/} TC 520 is not reversed in the new year--use TC 508 in the new year.

If reimbursements from another fund or appropriation have been over-collected and the amount of the over-collection will be refunded to the fund or appropriation after June 30, accrue the amount with the following entry:

TC 553 - Accrue Reimbursement Refund from other Funds/Appns
 Dr. 8100 Reimbursements
 Cr. 3110 Due To Other Funds or Appropriations

The above entry (TC 533) is reversed in the new year. Auto-reverse batches are recommended for this entry.

Operating transfers from the General Fund to a Special Fund are treated as "Less Funding Provided By" (Negative Expenditures) in the Special Fund. If the operating transfer from the General Fund to a Special Fund has not occurred as of June 30, the operating transfer-in must be accrued in the Special Fund using the following entry:

TC 560 - Accrue YE Transfer-In - Negative Expenditures
 Dr. 1400 Due From Other Funds
 Cr. 9000 Expenditures

The above entry (TC 560) is reversed in the new year. Auto-reverse batches are recommended for this entry.

In the new year, when SCO posts the transfer, use TC 242R to record the operating transfer-in into the Special Fund.

ENTRY A-4: Reclassify Items for Reverted Appropriations

"Accounts Receivable" and "Due Froms" for abatements and reimbursements that are not cleared by June 30 must be reclassified to GLA 1600-Provision for Deferred Receivables. CALSTARS provides an automated process (CFY022 - Document File Reclassification/Liquidation Process) to assist agencies to identify and reclassify documents within reverting appropriations. For reverting appropriations that were correctly identified in the AS Table when the CFY022 transactions were generated in early May, entry A-4 will have been already posted. However, if reverting appropriations were improperly identified in the AS Table, the A-4 entry must be manually posted. These receivables may be identified by reviewing the D06, Document Report by Appropriation.

Agencies should use the following entries to record the A-4 adjusting entry for receivables that CALSTARS did not reclassify. For each receivable post two transactions.

First transaction:

TC 576 - A-4 Establish Accounts Receivable Other-Offset Reverted
 Appropriation - CFY022
 Dr. 1319 Accounts Receivables - Other
 Cr. 1600 Provision for Deferred Receivables

OR

TC 577 - A-4 Reclass AR Other-Offset-Revert Neg Doc (CFY022)
 Dr. 1600 Provision for Deferred Receivables
 Cr. 1319 Accounts Receivable Other

NOTE: TC 576 is for *positive amounts* and must be used with one of the TCs below. TC 577 is for *amounts less than zero*; TCs used with TC 577 must use an **R** Reverse code. Both TC 576 and 577 should be recorded at the fund level only.

Second transaction (one of the following):

TC 555 - A-4 Reclassify Accounts Receivable - Abatements - Revert Appn - CFY022

Dr. 9000 Expenditures
 Cr. 1311 Accounts Receivable - Abatements

TC 556 - A-4 Reclassify Accounts Receivable - Reimbursements - Revert Appn - CFY022

Dr. 8100 Reimbursements
 Cr. 1312 Accounts Receivable - Reimbursements

TC 572 - A-4 Reclassify Abatements Due from Other Funds - Revert Appn - CFY022

Dr. 9000 Expenditures
 Cr. 1400 Due from Other Funds or Appropriations

TC 573 - A-4 Reclassify Reimbursements Due from Other Funds - Revert Appn - CFY022

Dr. 8100 Reimbursements
 Cr. 1400 Due from Other Funds or Appropriation

TC 574 - A-4 Reclassify Abatements Due from Other Governments - Revert Appn - CFY022

Dr. 9000 Expenditures
 Cr. 1500 Due From Other Governments

TC 575 - A-4 Reclassify Reimbursements Due from Other Governments - Revert Appn - CFY022

Dr. 8100 Reimbursements
 Cr. 1500 Due From Other Governments

See Volume 7, Chapter I, Preparation Activities, section *Reclassify/Liquidate Reverting Appropriation Document File Balances*, for procedures on cash collections.

A-4 entries are **NOT** reversed in the new year.

ENTRY A-5: Accrue Interest Earnings on Investments

The A-5 entry accrues interest earnings on investments to reflect the appropriate adjustments to accrued interest purchased, premiums, and discounts. Source code

215n00 is used to identify investment interest earned, where **n** identifies the type of interest (per the *UCM*).

TC 121 - Record Billing of Accounts Receivable-Operating Revenue
Dr. 1314 Accounts Receivable - Operating Revenue
Cr. 8000 Revenue

TC 548 - A-5 Record Amortization of Discount on Securities
Dr. 2014 Discount on Securities
Cr. 8000 Revenue

TC 549 - A-5 Record Amortization of Premium on Securities
Dr. 8000 Revenue
Cr. 2013 Premium on Securities

TC 550 - A-5 Record Amortization of Accrued Interest Purchased
Dr. 8000 Revenue
Cr. 1320 Accrued Interest Receivable

*A-5 entries are **NOT** reversed in the new year.*

ENTRY A-6: Record Interest Due From Other Funds

The A-6 entry accrues interest revenue that is due from other funds. This includes interest income due from inter-fund loans and deposits in the Surplus Money Investment Fund (SMIF). A Source code and a Subsidiary code are required for this entry.

TC 176 - Record Amount Due From Other Funds as Revenue
Dr. 1400 Due From Other Funds or Appropriations
Cr. 8000 Revenue

SMIF Interest Due

Agencies will receive journal entries (JE's) that reflect the SCO's posting of SMIF interest as of June 30. The A-6 entry for interest due from SMIF is posted using information from the JE. (The General Fund share of SMIF interest is not posted on any agency's books.) The interest amount can also be accessed via SCO PROD.

For interest earned on governmental funds use Source code **150300**-Income From Surplus Money Investments. For interest earned on Operating Revenues from proprietary and fiduciary funds use Source code **250300**-Income From Surplus Money Investment Fund. Use Subsidiary code **06810000** in both instances.

*A-6 entries are **NOT** reversed in the new year.*

Note: Post the June 30 SMIF Interest Income JE in FM01 using TC 135. This will Credit GLA 1400 and Debit GLA 1140-Cash in State Treasury.

ENTRY A-7: Abatements for Surveyed Equipment

The A-7 entry accrues an abatement for the estimated value of surveyed equipment available for sale. This entry is displayed on the CSTARH11 Report, Transaction Analysis Report for Equipment. The A-7 entry is used only if the equipment has been budgeted for replacement. Source code **580600** is used for this abatement.

In the fund which will purchase the new asset, record the following for the amount of the expected sales price:

TC 546 - A-7 Record Abatement for Surveyed Equipment
 Dr. 2740 Inventory of Surveyed Equipment
 Cr. 9000 Expenditures

NOTE: The FM 13 reconciliation will be out of balance by the amount of this entry.

In Fund 0997 (and Fund Detail), record the following for the amount of the original purchase price:

TC 494 - Record Write-Off of Non-Expendable Assets
 Dr. 5200 Investment in General Fixed Assets
 Cr. 23nn Fixed Asset Account (nn=10, 21, 31 or 41)

A-7 entries (TC 546, TC 494) are reversed in the new year. Auto-reverse batches are recommended for A-7 entries.

ENTRY A-8: Accrual of Expenditures

The A-8 entry accrues expenditures as "Accounts Payable" or "Due To" for goods or services received by June 30 but not scheduled for payment by June 30. This entry is necessary because expenditures are recorded in the fiscal year the goods or services are received, not the fiscal year the invoice is actually paid. A-8 adjusting entries are **not** made for goods or services received after June 30. A-8 entries are usually made in the Clearing Account, if used.

NOTE: Personal services incurred as of June 30 that will be paid in the new fiscal year must also be accrued. Agencies using the CALSTARS Labor Distribution Subsystem must record the Personal Services accrual with Document Number/Suffix **PRA99999-99**. Use Object Detail **003** for the last transaction entered.

During the new year, the Labor Distribution Subsystem will liquidate this accrual by posting prior year Personal Services costs (TC 378) to this Document Number/Suffix. This continues each month during labor distribution until the agency closes the document or the OC Table Error Severity Indicator code **F** (Fund Related, position 1, 2 and 3 or 4) disallows posting because no funds are available in the document. The transaction then posts to the Error Suspense File where it may be adjusted by changing TC 378 to TC 242 or TC 372.

ENTRY A-9: Record Revenue Accruals

The A-9 entry records revenue earned but not yet billed. These entries are typically made in CALSTARS throughout the fiscal year when revenue is billed or earned. At year end, any estimated or earned but unbilled revenue is recorded using an A-9 entry. The transactions codes are the same that are used to record revenue throughout the year:

TC 120 - Record Billing of Accounts Receivable - Revenue (if earned)
 Dr. 1313 Accounts Receivable Revenue
 Cr. 8000 Revenue

TC 121 - Record Billing of Accounts Receivable – Operating Revenue (if earned)
 Dr. 1314 Accounts Receivable Revenue – Operating Revenue
 Cr. 8000 Revenue – Operating Revenue

TC 128 - Record Due From Other Govts - Revenue (if earned)
 Dr. 1500 Due From Other Governments
 Cr. 8000 Revenue

TC 176 - Record Due From Other Funds - Revenue (if earned)
 Dr. 1400 Due From Other Funds or Appropriations
 Cr. 8000 Revenue

Any current year billed revenue receivable not expected to be collected in the next fiscal year should be deferred. Reverse the original Accounts Receivable – Revenue posting and post the appropriate TCs as follows:

TC 505 - A-9 Establish Deferred Accounts Receivable – Operating Revenue
 Dr. 1314 Accounts Receivable Revenue – Operating Revenue
 Cr. 1600 Provision for Deferred Receivables

TC 506 - A-9 Establish Deferred Accounts Receivable – Revenue
 Dr. 1313 Accounts Receivable Revenue
 Cr. 1600 Provision for Deferred Receivables

Both the reversal of the original accounts receivable and the A-9 entries (TC 505, TC 506) are reversed in the new year. Auto-reverse batches are recommended for these entries.

Year-end revenue accruals not supported by invoices should be reversed and re-entered when the invoices are prepared.

Prior Year Accounts Receivable Revenue

All prior year accounts receivable revenue must be deferred. Agencies may use the automated process (CFY023) discussed in Volume 7, Chapter I, Preparation Activities, section *Reclassify/Liquidate Reverting Appropriation Document File Balances*. If the automated process was not used, the entries must be posted manually using the transaction codes displayed in that section.

Excess Revenue Collections From Other Governments

Occasionally there is an excess collection of revenue from the Federal Government or some other governmental entity. If the excess collection is returned after June 30, an accrual entry reducing revenue must be made:

TC 552 - Accrue YE Due to Other Govt (Excess Collections)

Dr. 8000 Revenue

Cr. Input GL (3210, 3220 or 3290)

The above entry (TC 552) is reversed in the new year. Auto-reverse batches are recommended for this entry.

NOTE: The liability accrual (GL 3210, 3220 or 3290) is not included on the DB1 report. For reconciliation purposes, the amount of the TC 552 entry must be added to the SCO account balances.

ENTRY A-10: Adjustment for Dishonored Checks

CALSTARS agencies are required to account for dishonored checks by using transactions to adjust the nominal accounts during the year. Typically, this involves adjusting the nominal accounts by recording transactions to reimburse the bank for the dishonored check and establish a receivable in GLA 1315-Accounts Receivable-Dishonored Checks with an offset to GLA 1600-Provision for Deferred Receivables. At year-end, the A-10 entry is required for the dishonored checks considered to be collectible during the next year. The A-10 entry removes the collectible dishonored checks from GLA 1600 and reflects the amount in the nominal account. See the chart below for the transactions to use for posting the A-10 entry.

A-10 Adjusting Entries			
Account		Description	TC
Debit	Credit		
1600		Provision for Deferred Receivables	
	3110	Due to Other Funds or Appropriations	585
	3400	Advance Collections	586
	3730	Uncleared Collections	587
	8000	Revenue	588
	8100	Reimbursements	589
	9000	Expenditures	590
	9830	Other Sources	578
	9891	Refunds to Reverted Appropriations	591

NOTE: If an A-10 adjusting entry is required, the FM 13 reconciliation to SCO balance will not agree by the amount of the A-10 entry, except GLA 3400 and GLA 3730.

A-10 entries are reversed in the new year. Auto-reverse batches are recommended for A-10 entries.

ENTRY A-11: Alternative Adjustment for Dishonored Checks

CALSTARS agencies do not prepare the A-11 adjusting entry. See the A-10 adjusting entry.

ENTRY A-12: Establish Reserve for Deferred Accounts Receivable for Abatements and Reimbursements

The A-12 entry establishes a reserve for accounts receivable abatements and reimbursements estimated to be uncollectible during the next fiscal year. Reverse the original Accounts Receivable – Reimbursements or Abatements posting(s) and post the appropriate TCs as follows:

TC 503 - A-12 Establish Deferred Accounts Receivable – Reimbursements
Dr. 1312 Accounts Receivable – Reimbursements
Cr. 1600 Provision for Deferred Receivables

TC 504 - A-9 Establish Deferred Accounts Receivable – Abatements
Dr. 1311 Accounts Receivable - Abatements
Cr. 1600 Provision for Deferred Receivables

Both the reversal of the original accounts receivable and the A-12 entries (TC 503, TC 504) are reversed in the new year. Auto-reverse batches are recommended for these entries.

ENTRY A-13: Transfer CIST to Fund Balance

Typically, CALSTARS agencies **do not post** the A-13 entry. During the Year-end Closing process, CALSTARS generates the entry to reclassify GLA 1140-Cash in State Treasury to GLA 5570-Fund Balance Clearing for funds identified in the D22 Descriptor Table as *shared* funds. The G02 Post Closing Trial Balance reflects that GLA 1140 has been reclassified to GLA 5570 for *shared* funds. Agencies with *shared* funds should verify the G02 Post Closing Trial Balance reflects that GLA 1140 closed into GLA 5570. If the G02 Post Closing Trial Balance reflects a balance in GLA 1140 for a *shared* fund, then one of the following entries must be posted by the agency. If the G02 Post Closing Trial Balance reflects that GLA 1140 is closed properly to GLA 5570, the agency **does not post** the following entries; CALSTARS will generate the transaction during the automated closing process for *shared* funds.

If Cash in State Treasury has a debit balance:

TC 501 - YEC - To close Debit Balance GLA-Shared Fund
Dr. 5570 Fund Balance Clearing Account
Cr. (Input 1140) Cash in State Treasury

If Cash in State Treasury has a credit balance:

TC 502 - YEC - To close Credit Balance GLA-Shared Fund
Dr. (Input 1140) Cash in State Treasury
Cr. 5570 Fund Balance - Clearing Account

NOTE: Funds that are identified in the D22 Descriptor Table as *non-shared funds* are not impacted by this entry.

*A-13 entries are **NOT** reversed in the new year.*

PREPARE ADJUSTING ENTRIES FOR OPERATING TRANSFERS AND LOANS

The following adjusting entries may be posted in FM 13 to accrue activities related to Operating Transfers, Interfund Loans, and Loan Disbursements:

Operating Transfers

TC	PURPOSE	GL DEBIT	GL CREDIT	TC
260	To accrue Operating Transfers – In	1400	9811	260
579	To accrue Operating Transfers – Out	9812	3110	579

For more information, refer to Volume 3, Chapter II, Accounting For Interfund Transfers.

Interfund Loans

TC	PURPOSE	GL DEBIT	GL CREDIT	TC
260	To accrue Operating Transfers – In for current amount of loan principal Due From Other Funds	1400	9811	260
L02	To reduce long-term loan receivable by the amount of accrued repayment	5370	2170	L02
579	To accrue Operating Transfers – Out for current amount of loan principal Due To Other Funds	9812	3110	579
L04	To reduce long-term loan payable by the amount of accrued repayment	4050	2500	L04
176	To accrue interest on loan Due From Other Funds	1400	8000	176
285	To accrue interest on loan Due to Other Funds	9000	3110	285

For more information, refer to Volume 3, Chapter IV, Accounting for Interfund Loans.

Loan Disbursements

TC	PURPOSE	GL DEBIT	GL CREDIT	TC
121	To accrue interest on loan due from individuals or non-governmental entities.	1314	8000	121
128	To accrue interest on loan due from governmental entities	1500	8000	128
L41	To accrue current amount of loan principal due from individuals or non-governmental entities.	1330 5380	9830 2110	L41
L42	To accrue current amount of loan principal Due From Other Governments	1500	9830	L42
L43	To adjust GL 2140 for current amount of loan principal Due From Other Government	5380	2140	L43
L44	To accrue amount of loan principal due when no long-term loan has been established	1330	9830	L44
L48	To accrue refund on loan repayment principal	9830	3010	L48

For more information refer to Volume 3, Chapter V, Accounting for Loan Disbursements.